



## *Report to the Auburn City Council*

Action Item
Agenda Item No. 3
City Manager's Approval

**To:** Mayor and City Council Members  
**From:** Wilfred Wong, Community Development Director  
**Date:** January 26, 2009  
**Subject:** Application for Funding from the Over-The-Counter Economic Development Allocation of the State CDBG Program for Reneson Hotels, Inc.

### *The Issue*

Should the City Council apply for Funding from the Over-The-Counter Economic Development Allocation of the State CDBG Program for Reneson Hotels, Inc.

### *Conclusions and Recommendation*

By Resolution approve an Application for Funding from the Over-The-Counter Economic Development Allocation of the State CDBG Program and identifying the responsible party for grant administration.

### *Background*

Reneson Hotels, Inc., a family owned California Corporation established in 1957 and based in Daly City, CA, owns and operates six profitable hotel operations (BestWesterns, Holiday Inn Auburn, Hilton, and Hampton Inns) in Northern California. The corporation has requested that the City of Auburn pursue Community Development Block Grant (CDBG) Economic Development business loan financing in the amount of \$1,202,963 to be applied to furniture, fixtures, and equipment to be installed at their proposed Hampton Inn project in Auburn.

### *Project Description*

The 5.9 acre project site owned by the Reneson Group includes two parcels (APN 054-130-072 & 073), located at 13089 Lincoln Way, south of Russell Road and east of Interstate 80. The proposed development includes construction of a 65,000 square foot, three-story, 104 room hotel building with porte cochere, wood deck and swimming pool and spa. Site improvements include site grading and utilities, parking lot, site lighting, landscaping, refuse enclosure, and detention basin. Off-site improvements along Lincoln Way include road widening, two driveways, curbs, gutter and sidewalk improvements. Off-site improvements along Russell Road include a new drainage swale collecting existing drainage from under Russell road. Off-site improvements to the South include the extension of a 6" sewer line from the project site to an existing pump station in the Auburn Woods development. The pump station will also be upgraded to meet the City's standards. A pad site will be established for a future restaurant development.

The proposed project is in line with the City's General Plan and Zoning. The project has received the following permitting approvals: July 28, 2008, City Council approval of Design Review Permit (File DRP 07-5) for site design, parking, architecture, landscaping, lighting; Variance (File VA 07-6) for building height; and Tree Permit (File TP 07-5) for tree removals and construction impacts.

### **Public Benefit**

The project will generate 35 full-time equivalent positions of which 51% (at least 18) will be filled by members from the targeted income group. The project will also provide the following community benefits:

- Add to the City's employment base by providing year-round employment opportunities to the targeted income group.
- Facilitate commercial property upgrades through leverage of private funding.
- Improve the economic vitality of businesses by encouraging the use of the hotel.
- Demonstrate the City's commitment to economic and business improvements.
- Provide additional accommodations within the City limits.
- Provide infrastructure to connect the hotel to existing downtown neighborhoods.
- Strengthen and stimulate commercial activity in the area.

### **Summation**

The Reneson Hotel Group is an experienced, capable hotel development and management firm with the financial capacity to undertake the project. Significant investments in the property, hotel design, and permitting requirements have been committed to the project. The total project cost is estimated at \$15,689,000. The Reneson Hotel Group equity injection exceeds CDBG financing requirements and private sector financing is also committed. The CDBG low interest loan for furniture, fixtures, and equipment will assist the project cash flow and increase the likelihood of long term success.

### **Alternatives Available to Council; Implications of Alternatives**

- A. Approve the resolution to apply for funding from the Over-The-Counter Economic Development Allocation of the State CDBG Program; assistance will be provided to the Reneson Group for the Hampton Inn project in Auburn.
- B. Deny the resolution to apply for funding from the Over-The-Counter Economic Development Allocation of the State CDBG Program; assistance will not be provided to the Reneson Group for the Hampton Inn project in Auburn.

### **Fiscal Impacts**

Based on a Transient Occupancy Tax (TOT) rate of 8%, an average occupancy of 62%, and an average room rate of approximately \$112 per night, the City would collect \$210,875 in annual TOT. This is discretionary General Fund revenue.

Based on an AB8 allocation of 13% and an assessed valuation of approximately \$7.5 million, the City would collect approximately \$9,750 in annual property tax. This is discretionary General Fund revenue. Thus, the total impact to the City's General Fund would be approximately \$220,625 annually.

1 RESOLUTION NO. 09-

2 RESOLUTION APPROVING AN APPLICATION FOR FUNDING  
3 FROM THE OVER-THE-COUNTER ECONOMIC DEVELOPMENT ALLOCATION OF  
4 THE STATE CDBG PROGRAM AND IDENTIFYING THE  
5 RESPONSIBLE PARTY FOR GRANT ADMINISTRATION

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6 BE IT RESOLVED by the City Council of the City of Auburn as follows:

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8 SECTION 1.

9 The City Council has reviewed and hereby approves an application for a  
10 Business Loan in the amount of \$1,202,963 to Reneson Hotels, Inc. for the  
11 purchase of furniture, fixtures, and equipment to be installed at the proposed  
12 Hampton Inn project; Grant General Administration in the amount of  
13 \$108,375; and Grant Activity Delivery in the amount of \$133,662, for a total  
14 grant application in the amount of \$1,445,000.

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16 SECTION 2.

17 The City Council has reviewed and hereby agrees to comply with all assurances  
18 executed in connection with the application and, if awarded, the grant.

19  
20 SECTION 3.

21 The City Council has reviewed and understands its obligation to repay CDBG  
22 funds in the event that this activity is determined to be ineligible.

23  
24 SECTION 4.

25 The City Manager and Community Development Director are hereby authorized  
26 and directed to act on the City's behalf in all matters pertaining to this  
27 application, including submittal of the application, execution of the grant  
28 agreement, drawdown of funds, submittal of amendment requests, and

1 execution of grant amendment documents. Additionally, the City Manager and  
2 Community Development Director shall be the party responsible for grant  
3 administration and execution of all documents including grant amendments.

4 DATED: January 26, 2009

5  
6 J.M. Holmes, Mayor

7 ATTEST:  
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9 Joseph G. R. Labrie, City Clerk  
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11 I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify  
12 that the foregoing resolution was duly passed at a regular meeting of the City  
13 Council of the City of Auburn held on the 26<sup>th</sup> day of January 2009 by the  
14 following vote on roll call:

15 Ayes:

16 Noes:

17 Absent:

18 Joseph G. R. Labrie, City Clerk  
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